



TRAKCJA CAPITAL GROUP

CONSOLIDATED QUARTERLY REPORT
FOR THE 3-MONTH PERIOD ENDED MARCH 31, 2017

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**This document is a translation
The Polish original should be referred to in matters of interpretation**

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APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Trakcja PRKiI S.A. has approved the consolidated financial statements of Trakcja Capital Group for the period of 3 months ended March 31, 2017.

The condensed consolidated financial statements for the first quarter of 2017 were prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union for interim reporting purposes (IAS 34). Information included herein is presented in the following sequence:

1. Consolidated income statement for the period from January 1, 2017 to March 31, 2017, which shows a net loss of PLN **6,223** thousand.
2. Consolidated statement of comprehensive income for the period from January 1, 2017 to March 31, 2017, which shows the negative total comprehensive income of PLN **21,392** thousand.
3. Consolidated balance sheet as at March 31, 2017, which shows the total assets and total equity and liabilities of PLN **1,238,323** thousand.
4. Consolidated statement of cash flows for the period from January 1, 2017 to March 31, 2017, which shows a decrease in the total net cash flows by PLN **11,174** thousand.
5. Consolidated statement of changes in equity for the period from January 1, 2017 to March 31, 2017, which shows a decrease in equity by PLN **21,687** thousand.
6. Additional information and explanations.

The condensed consolidated financial statements have been drawn in thousands of Polish zlotys, unless explicitly indicated otherwise.

Jarosław Tomaszewski

President of the Management Board

Paweł Nogalski

Vice-President of the Management Board

Marek Kacprzak

Vice-President of the Management Board

Warsaw, May 16, 2017

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I. SELECTED FINANCIAL DATA OF TRAKCJA CAPITAL GROUP

The average PLN/EUR exchange rates in the period covered by the consolidated financial statements:

Financial year ended	Average exchange rate in the period*	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
31.03.2017 r.	4,2891	4,2198	4,4157	4,2198
31.12.2016 r.	4,3757	4,2355	4,5035	4,4240
31.03.2016 r.	4,3559	4,2445	4,4987	4,2684

* The average of the exchange rates applicable on the last day of each month in a given reporting period.

Key items of the consolidated balance sheet converted into the euro:

	31.03.2017		31.12.2016	
	TPLN	TEUR	TPLN	TEUR
Non-current assets	721 271	170 925	721 725	163 139
Current assets	517 052	122 530	675 008	152 578
Total assets	1 238 323	293 455	1 396 733	315 717
Equity	754 280	178 748	775 967	175 399
Long-term liabilities	136 086	32 249	153 550	34 709
Short-term liabilities	347 957	82 458	467 216	105 609
Total equity and liabilities	1 238 323	293 455	1 396 733	315 717

The consolidated balance sheet data was converted at the exchange rate set by the National Bank of Poland on the last day of a given reporting period.

Key items of the consolidated income statement converted into the euro:

	3 month period ended 31.03.2017		3 month period ended 31.03.2016	
	TPLN	TEUR	TPLN	TEUR
Sales revenues	136 656	31 862	140 216	32 190
Cost of goods sold	(132 314)	(30 849)	(123 663)	(28 390)
Gross profit (loss) on sales	4 342	1 012	16 553	3 800
Operating profit (loss)	(6 104)	(1 423)	1 512	347
Gross profit (loss)	(6 903)	(1 609)	782	180
Net profit (loss) from continued operations	(6 223)	(1 451)	498	114
Net profit (loss) from discontinued operations	-	-	-	-
Net profit for the period	(6 223)	(1 451)	498	114

The consolidated income statement data was converted at the average exchange rate of the euro, calculated as the average of the exchange rates applicable on the last day of each month in a given reporting period, set by the National Bank of Poland for that day.

Key items of the consolidated statement of cash flows converted into the euro:

	3 month period ended 31.03.2017		3 month period ended 31.03.2016	
	TPLN	TEUR	TPLN	TEUR
Cash flows from operating activities	7 823	1 824	(154 789)	(35 535)
Cash flows from investment activities	(15 753)	(3 673)	3 037	697
Cash flows from financial activities	(3 244)	(756)	(6 430)	(1 476)
Total net cash flows	(11 174)	(2 605)	(158 182)	(36 314)

The data of the consolidated statement of cash flows was converted at the average exchange rate of the euro, calculated as the average of the exchange rates applicable on the last day of each month in a given reporting period, established by the National Bank of Poland for that day.

	31.03.2017		31.03.2016	
	TPLN	TEUR	TPLN	TEUR
Cash at start of period	146 360	33 083	251 317	58 974
Cash at end of period	135 186	32 036	93 135	21 820

Exchange rates adopted for the purpose of calculating the above data of the consolidated statement of cash flows were as follows:

- for the cash at end of period – the exchange rate set by the National Bank of Poland on the last day of a given reporting period,
- for the cash at start of period – the exchange rate set by the National Bank of Poland on the last day of the reporting period preceding a given reporting period.

The EUR/PLN exchange rate on the last day of the reporting period ended December 31, 2015 was PLN 4.2615.

II. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
	<i>Unaudited</i>	<i>Unaudited</i>
Continued operations		
Sales revenue	136 656	140 216
Cost of goods sold	(132 314)	(123 663)
Gross profit on sales	4 342	16 553
Cost of sales, marketing and distribution	(1 556)	(1 715)
General and administrative costs	(9 784)	(13 216)
Other operating revenues	1 168	2 249
Other operating costs	(274)	(1 337)
Share of profit (losses) of joint venture	-	(1 022)
Operating profit	(6 104)	1 512
Financial revenues	1 746	1 244
Financial costs	(2 545)	(1 974)
Gross profit	(6 903)	782
Income tax	680	(284)
Net profit from continued operation	(6 223)	498
Discontinued operations		
Net profit (loss) from discontinued operations	-	-
Net profit for the period	(6 223)	498
Attributable to:		
Shareholders of parent entity	(6 131)	417
Non-controlling interests	(92)	81
Profit (Loss) per share (PLN per share)		
- basic	(0,12)	0,01
- diluted	(0,12)	0,01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
	<i>Niebadane</i>	<i>Niebadane</i>
Net profit for the period	(6 223)	498
Other comprehensive income:		
Other comprehensive income that will not be reclassified into profit or loss under certain conditions:	(74)	(4)
Actuarial gains/(losses)	(74)	(4)
Other comprehensive income that will be reclassified to profit or loss:	(15 095)	(878)
Foreign exchange differences on translation of foreign operations	(15 558)	514
Cash flow hedging instruments	463	(1 392)
Total other comprehensive income	(15 169)	(882)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(21 392)	(384)
Attributable to:		
Shareholders of Parent entity	(21 325)	(103)
Non-controlling interests	(67)	(281)

CONSOLIDATED BALANCE SHEET

ASSETS	Note	31.03.2017	31.12.2016
		<i>Unaudited</i>	<i>Audited</i>
Non-current assets		721 271	721 725
Tangible non-current assets	25	255 135	247 489
Intangible assets	25	54 789	55 291
Goodwill from consolidation		329 901	337 855
Investment properties		20 960	21 226
Investments in other units		24	25
Other financial assets		46 418	46 502
Deferred tax assets	22	10 091	10 707
Construction contracts		288	-
Prepayments		3 665	2 630
Current assets		517 052	675 008
Inventory		91 371	75 861
Trade and other receivables		205 705	399 586
Other financial assets		8 661	8 660
Cash and cash equivalents		135 936	148 799
Prepayments		8 921	6 019
Construction contracts		66 458	36 083
Total assets		1 238 323	1 396 733
EQUITY AND LIABILITIES			
Equity attributable to shareholders of parent entity		749 521	771 137
Share capital		41 120	41 120
Share premium		309 984	309 984
Revaluation reserve		5 765	5 765
Other capital reserves		332 635	332 659
Retained earnings		48 554	54 685
Foreign exchange differences on translation of foreign operations		11 463	26 924
Non-controlling interests		4 759	4 830
Total equity		754 280	775 967
Long-term liabilities		136 086	153 550
Interest-bearing loans and borrowings		95 026	100 666
Provisions	24	18 918	27 650
Liabilities due to employee benefits		10 406	11 134
Provision for deferred tax	22	6 516	8 068
Derivative financial instruments		5 152	5 957
Pozostałe zobowiązania finansowe		68	75
Short-term liabilities		347 957	467 216
Interest-bearing loans and borrowings		20 962	22 003
Trade and other liabilities		200 290	309 988
Provisions	24	29 297	35 353
Liabilities due to employee benefits		10 640	11 424
Income tax liabilities		77	4 922
Derivative financial instruments		971	1 018
Other financial liabilities		4 138	-
Accruals		400	361
Construction contracts		79 551	80 432
Advances received towards flats		1 631	1 715
Total equity and liabilities		1 238 323	1 396 733

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
		Unaudited	Unaudited
Cash flows from operating activities			
Gross profit from continued operations		(6 903)	782
Gross profit (loss) from discontinued operations		-	-
Adjustments for:		14 726	(155 571)
Depreciation		7 599	5 532
FX differences		(750)	23
Net interest and dividends		1 453	1 169
Profit on investment activities		(1 368)	(2 086)
Share of profits (losses) of joint venture		-	1 022
Change in receivables		202 431	(9 216)
Change in inventory		(16 117)	(19 476)
Change in liabilities, excluding loans and borrowings		(111 078)	(101 694)
Change in prepayments and accruals		(15 785)	(634)
Change in provisions		(13 987)	(1 626)
Change in construction contracts		(30 096)	(26 515)
Change in financial derivatives		(543)	1 613
Income tax paid		(2 926)	(4 509)
Other		670	(865)
Foreign exchange differences on translation of foreign operations		(4 777)	1 691
Net cash flows from operating activities		7 823	(154 789)
Cash flows from investment activities			
Sale (purchase) of intangible assets and tangible non-current assets		(14 764)	(3 899)
- acquisition		(16 033)	(5 518)
- sale		1 269	1 619
Financial assets		(1 032)	6 871
- sold or repaid		1 263	7 537
- granted or acquired		(2 295)	(666)
Interest received		43	65
Net cash flows from investment activities		(15 753)	3 037
Cash flows from financial activities			
Repayment of borrowings and loans		(2 375)	(2 179)
Interest paid		(1 752)	(1 187)
Payment of liabilities under financial lease agreements		(3 185)	(2 906)
Inflows (outflows) income from other financial liabilities		4 068	(158)
Net cash flows from financial activities		(3 244)	(6 430)
Total net cash flows		(11 174)	(158 182)
Net FX differences		-	-
Cash at start of period		146 360	251 317
Cash at end of period	28	135 186	93 135
- with limited access		-	926

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to shareholders of Parent entity											
	Share capital	Share premium	Revaluation reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
				Hedging instruments	Actuarial gains/(losses)	Results from previous years					
Unaudited											
As at 1.01.2017	41 120	309 984	5 765	(4 162)	(404)	337 225	26 924	54 685	771 137	4 830	775 967
Corrections of errors	-	-	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-	-	-	-
As at 1.01.2017 after adjustments	41 120	309 984	5 765	(4 162)	(404)	337 225	26 924	54 685	771 137	4 830	775 967
Net profit for the period	-	-	-	-	-	-	-	(6 131)	(6 131)	(92)	(6 223)
Other comprehensive income	-	-	-	341	(74)	-	(15 461)	-	(15 194)	25	(15 169)
Distribution of profit	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	(291)	-	-	(291)	(4)	(295)
As at 31.03.2017	41 120	309 984	5 765	(3 821)	(478)	336 934	11 463	48 554	749 521	4 759	754 280

	Equity attributable to shareholders of Parent entity							Retained earnings	Total	Non-controlling interests	Total equity
	Share capital	Share premium	Revaluation reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations				
				Hedging instruments	Actuarial gains/(losses)	Results from previous years					
<i>Unaudited</i>											
As at 1.01.2016 after adjustments	41 120	309 984	6 178	(3 598)	(1 363)	304 746	15 071	50 203	722 341	3 950	726 291
Corrections of errors	-	-	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-	-	-	-
As at 1.01.2016 after adjustments	41 120	309 984	6 178	(3 598)	(1 363)	304 746	15 071	50 203	722 341	3 950	726 291
Net profit for the period	-	-	-	-	-	-	-	417	417	81	498
Other comprehensive income	-	-	-	(1 026)	5	-	501	-	(520)	(362)	(882)
Distribution of profit	-	-	-	-	-	50 203	-	(50 203)	-	-	-
Other changes	-	-	-	-	-	15	-	-	15	-	15
As at 31.03.2016	41 120	309 984	6 178	(4 624)	(1 358)	354 964	15 572	417	722 253	3 669	725 922

Equity attributable to shareholders of Parent entity											
	Share capital	Share premium	Revaluation reserve	Other reserve capitals		Foreign exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interest	Total equity	
				Hedging instruments	Actuarial gains/(losses)	Results from previous years					
Audited											
As at 1.01.2016	41 120	309 984	6 178	(3 598)	(1 363)	304 746	15 071	50 203	722 341	3 950	726 291
Corrections of errors	-	-	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-	-	-	-
As at 1.01.2016	41 120	309 984	6 178	(3 598)	(1 363)	304 746	15 071	50 203	722 341	3 950	726 291
After adjustments											
Net profit for the period	-	-	-	-	-	-	-	54 685	54 685	1 647	56 332
Other comprehensive income	-	-	(413)	(564)	959	-	11 853	-	11 835	(132)	11 703
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(580)	(580)
Distribution of profit	-	-	-	-	-	32 727	-	(32 727)	-	-	-
Dividend payment	-	-	-	-	-	-	-	(17 476)	(17 476)	-	(17 476)
Other	-	-	-	-	-	(248)	-	-	(248)	(55)	(303)
As at 31.12.2016	41 120	309 984	5 765	(4 162)	(404)	337 225	26 924	54 685	771 137	4 830	775 967
Audited											

III. ADDITIONAL INFORMATION AND EXPLANATIONS TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

These condensed consolidated financial statements of Trakcja Group cover the period of 3 months ended March 31, 2017.

Trakcja Group ("Group") consists of the parent company, namely Trakcja PRKiI S.A. ("Trakcja PRKiI", "Parent Company" or "Company") and its subsidiaries (see Note 2).

Trakcja PRKiI S.A. in its present form was established on November 30, 2004 as a result of the acquisition of Trakcja Polska S.A. by Przedsiębiorstwo Kolejowych Robót Elektryfikacyjnych S.A. ("PKRE S.A."). The name of the Company at the time was Trakcja Polska S.A. and was changed by Resolution No. 2 adopted by the Extraordinary General Meeting of Shareholders on November 22, 2007. The change was entered in the National Court Register on December 10, 2007. The prior business name of the Company was Trakcja Polska - PKRE S.A. The Company operates under the Articles of Association in the form of a notarial deed of January 26, 1995 (Rep. A No. 863/95), as amended.

On September 1, 2009 the District Court of the City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, registered the merger of Trakcja Polska S.A. as the overtaking company with Przedsiębiorstwo Robót Komunikacyjnych-7 S.A. as the overtaken company. The merger was settled and recognised in the accounting books of the company to which the assets of the merged companies were transferred, i.e. Trakcja Polska S.A., according to the pooling of interest method, as at August 31, 2009. The companies were effectively merged at the acquisition, i.e. on September 1, 2007, in accordance with IFRS 3.

On June 22, 2011 the District Court of the City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, registered a change in the company name from Trakcja Polska S.A. to Trakcja – Tiltra S.A. The above change was registered pursuant to Resolution No. 3 adopted by the Extraordinary General Meeting of Shareholders on June 15, 2011.

On December 21, 2012 the District Court of the City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, registered a change in the Company's business name from Trakcja – Tiltra S.A. to Trakcja S.A. The above change was registered pursuant to Resolution No. 3 adopted by the Extraordinary General Meeting of Shareholders on December 12, 2012.

On December 19, 2013 the District Court of the City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, registered the merger of Trakcja S.A. as the overtaking company with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. as the overtaken company. The merger was settled and recognised in the accounting books of the company to which the assets of the merged companies were transferred, i.e. Trakcja S.A., according to the pooling of interest method, as at December 31, 2013.

On December 19, 2013 the District Court of the City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, registered a change in the Company's business name from Trakcja S.A. to Trakcja PRKiI S.A. The above change was registered pursuant to Resolution No. 4 adopted by the Extraordinary General Meeting of Shareholders on November 27, 2013.

On January 29, 2002 the Company was entered in the National Court Register by the District Court in Warsaw, 19th Commercial Division, under KRS 0000084266. The Company was assigned the statistical number REGON 010952900, the tax identification number NIP 525-000-24-39 and the PKD code 4212Z.

The Parent entity's seat is located in Warsaw at 59 Żłota Street. Both the Parent Company and the entities that are members of the Group are established for an indefinite period of time.

According to the Articles of Association, the Parent Company renders specialist construction and installation services within the scope of railway and tram lines electrification. The Company specialises in the following types of activity:

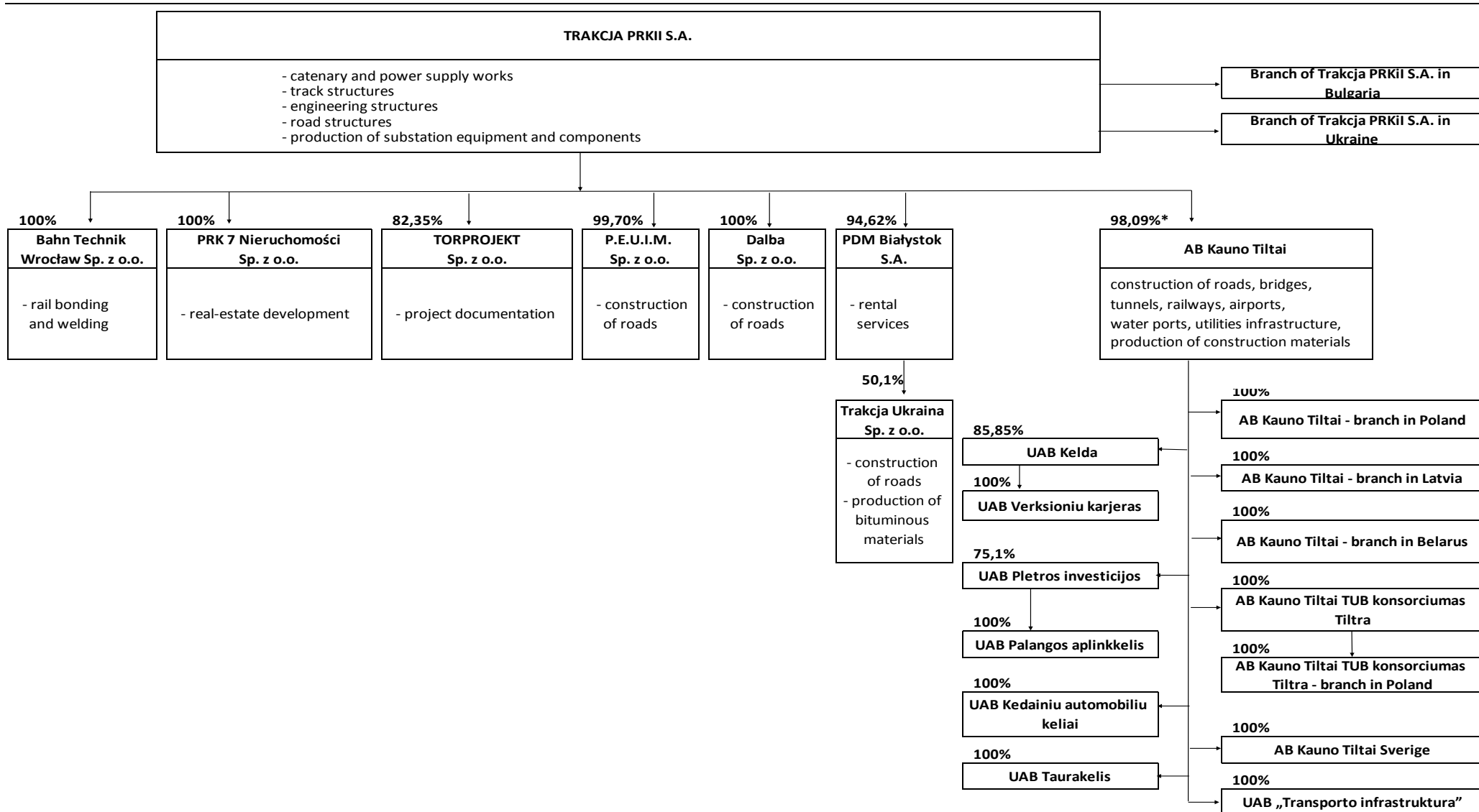
- foundation and network works,
- installation of traction substations and section cabs,
- installation of high and low voltage overhead and cable lines,
- installation of local supply and control cables,
- manufacturing of products (high, medium and low voltage switching stations, traction network equipment and local control devices),

- specialist equipment services (excavators, railway and truck cranes, boring rigs, pile drivers),
- construction of bridges, viaducts, piers, flyovers, tunnels, underground passings, roads and accompanying elements of rail and road infrastructure.

2. Group members

As at March 31, 2017 the Group consists of the Parent Company, Trakcja PRKil S.A., and its subsidiaries.

The Group's organisational structure is presented in the diagram below.



*) Trakcja PRKil S.A. holds a total of 98.09% shares (96.84% directly and 1.25% indirectly) in the share capital of its subsidiary AB Kauno Tiltai. The indirect shareholding results from the acquisition of own shares by the subsidiary.

3. Changes in the Group's structure and their consequences

In the first quarter of 2017 the structure of Trakcja Group has changed.

On February 9, 2017 a subsidiary was established with a business name of ТРАКЦІЯ УКРАЇНА (Trakcja Ukraina Sp. z o.o.) and with its registered office in Dnipro (Ukraine), whose majority shareholder is PDM Białystok S.A. and on March 3, 2017 Trakcja PRKiI established a branch of its company in Ukraine.

4. Parent Company's Management Board

As at March 31, 2017 the Company's Management Board was composed of the following members:

- Jarosław Tomaszewski – President of the Management Board;
- Marek Kacprzak – Vice-President of the Management Board;
- Paweł Nogalski – Vice-President of the Management Board.

In the first quarter of 2017 and after the balance sheet date, there have been no changes to the Management Board's composition.

5. Parent Company's Supervisory Board

As at March 31, 2017 the Company's Supervisory Board was composed of the following members:

- Dominik Radziwiłł – Chairman of the Supervisory Board;
- Łukasz Rozdeiczer-Kryszkowski – Member of the Supervisory Board;
- Michał Hulbój – Member of the Supervisory Board;
- Wojciech Napiórkowski – Member of the Supervisory Board;
- Miquel Llevat Vallespinosa – Member of the Supervisory Board;
- Jorge Miarnau Montserrat – Member of the Supervisory Board;
- Fernando Perea Samarra – Member of the Supervisory Board.

In the first quarter of 2017 and after the balance sheet date, there have been no changes to the Supervisory Board's composition.

6. Parent Company's shareholdership

According to the best knowledge of the Parent Company's Management Board, at the publication hereof, the following shareholders hold, directly or through their subsidiaries, at least 5% of the general number of votes at the Annual General Meeting:

Shareholders	Number of shares	% in the share capital	Number of votes	% in votes at GSM
COMSA S.A.	15 843 193	30,82%	15 843 193	30,82%
Nationale-Nederlanden OFE	5 111 908	9,95%	5 111 908	9,95%
OFE PZU "Złota Jesień"	4 349 650	8,46%	4 349 650	8,46%
Pozostali akcjonariusze	26 094 797	50,77%	26 094 797	50,77%
Total	51 399 548	100,00%	51 399 548	100,00%

From the publication of the last interim report, i.e. from March 21, 2017, there have been no changes in the ownership structure of the Issuer's qualifying holdings.

7. Number of shares in the Parent Company held by members of its management and supervision bodies

From the publication of the last interim report, i.e. from March 21, 2017, there have been no changes in the number of shares in the Parent Company held by members of its management and supervision bodies.

The Company's Management Board and Supervision Board members do not hold any shares in the Parent Company or any of the related entities within Trakcja Group.

8. Approval of the financial statements

These condensed consolidated financial statements were approved for publication by the Management Board of the Parent Company on May 16, 2017.

9. Significant values based on professional judgement and estimates

In the process of applying the accounting principles (policy), such factors are important as the accounting estimates, assumptions and professional judgement of the entity's management. The assumptions and estimates made are based on the past experience and factors considered reasonable, and their results are a basis for the professional judgement on the carrying amounts of the relevant assets and liabilities. The estimates and assumption related thereto are verified as at the balance sheet date. Despite the fact that the estimates are based on the best knowledge regarding the current conditions and operations performed by the Group, the actual performance may differ from the estimates.

If a transaction is not regulated by any standard or interpretation, the Management Board uses its considerable judgement in developing and applying an accounting policy that results in information provided in the financial statements that is relevant and faithful and in the financial statements that:

- represent accurately, clearly and fairly the Group's assets and financial position, as well as its financial performance and cash flows,
- reflect the economic substance of transactions,
- are neutral,
- are drawn up in accordance with the principle of prudence, and
- complete in all material respects.

Please find below the professional judgement of the management and the assumptions concerning the future and also other key sources of uncertainties present at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

9.1. Professional judgement

Fair value of financial instruments

If the market for financial instruments is not active, their fair value is established by using relevant measurement techniques. When selecting methods and assumptions, the Group follows the professional judgement. The assumptions made for this purpose are presented in Note 47 of the Additional information and explanations to the consolidated financial statements for 2016.

In the first quarter of 2017, the Group has not changed the assessment method for financial instruments measured at fair value. The carrying amounts of financial assets and liabilities are close to their fair values.

Classification of leases

The Group classifies a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. This depends on the economic substance of each transaction. For additional information please refer to Note 9.3.4, 42 and 43 to the consolidated financial statements for 2016.

Investment property

The Group classifies a property as a tangible non-current asset or an investment property depending on its intended use.

Allocation of goodwill to cash generating units

Pursuant to IAS 36, goodwill is allocated to cash generating units. The Group performs tests related to the allocation of goodwill to the appropriate cash generating units.

Control over the related entities

The Parent Company exercises control over the related entities, if it is exposed or has rights to variable returns from its involvement and when it is in a position to use its powers over an entity to exert an effect on such returns. The Company's Management Board states that it exercises control over individual entities based on the following:

Trakcja PRKiI is the sole shareholder in PRK 7 Nieruchomości Sp. z o.o. and has control over the subsidiary. Trakcja PRKiI became the shareholder in PRK 7 Nieruchomości owing to the merger between Trakcja and PRK 7 S.A. which in turn owned PRK 7 Nieruchomości Sp. z o.o.

Trakcja PRKiI holds 82.35% of shares in Torprojekt Sp. z o.o. and has full control over the subsidiary. Trakcja PRKiI has become the owner of Torprojekt through the acquisition of its shares.

Trakcja PRKiI holds 99.70% of shares in PEUiM Sp. z o.o. and has full control over the subsidiary. Trakcja PRKiI has become the owner of PEUiM through the acquisition of its shares.

Trakcja PRKiI holds 100% of shares in Dalba Sp. z o.o. and has full control over the subsidiary. Trakcja PRKiI has become the owner of Dalba through the acquisition of its shares.

Trakcja PRKiI holds 94.62% of shares in PDM Białystok S.A. and has full control over the subsidiary. Trakcja PRKiI has become the owner of PDM Białystok through the acquisition of its shares.

Trakcja PRKiI holds 98.09% of shares in AB Kauno Tiltai and has control over the subsidiary. Trakcja PRKiI has become the owner of AB Kauno Tiltai, which is the parent company of AB Kauno Tiltai Group, through the acquisition of its shares.

Trakcja PRKiI holds 100% of shares in Bahn Technik Wrocław Sp. z o.o. and has full control over the subsidiary. Trakcja PRKiI has become the owner of Bahn Technik Wrocław Sp. z o.o. through the acquisition of its shares.

The Group's composition and percentage of the shares owned was presented in Note 2 of the Additional information and explanations hereto.

9.2. Estimate uncertainty

Recognition of revenues

If the completion of a construction contract can be estimated reliably, revenues from a construction contract that is in progress in the period from the conclusion thereof to the balance sheet date, less any revenues that have had effect on the financial performance in the preceding financial years, are recognised by reference to the degree of progress in its completion. The Group's companies measure the progress in completion thereof by reference to the expenses incurred from the conclusion of a given contract to the recognition of revenues in the total contract completion costs. For contracts concluded in foreign currency, sales revenues depend on the fluctuations of the currency exchange rates.

Provisions for correction works

Provisions for additional works are estimated based on the knowledge of the construction site (contract) directors with regard to the required or potential performance of additional works for the benefit of the contracting entity, in order to fulfil warranty obligations. The largest companies that are members of Trakcja Group are obliged to grant warranty for their services. The provision for additional works depends on the segment in which the companies operate and is based on the Group's historical data. It is subject to individual review and may be increased or decreased when necessary. Any change in the estimates affects the value thereof.

Provisions for contractual penalties

The Group recognises provisions for contractual penalties in relation to any contracts under completion in the amounts in which they may and are likely to be imposed. Provisions are recognised based on the documentation regarding the contract completion and on the opinion of lawyers who participate in the ongoing negotiations and estimate the Group's potential future liabilities on the basis of their course.

Deferred tax assets

The Group recognises a deferred tax asset assuming that in the future a taxable profit is generated that will allow for its use. Any deterioration in the future taxable profits may result in the assumption becoming unjustified. The Parent Company's Management Board verifies the estimated recoverability of deferred tax assets on the basis of changes in the factors taken into account, new information and past experiences. The likelihood that deferred tax assets will be utilised against future taxable profits is assumed in the Group's forecast. The Group's companies recognise deferred tax assets up to the amount corresponding to the likely amount of future taxable profit that will allow for negative temporary differences to be deducted. The Group's companies, which generated losses in the past and whose financial forecast does not project future taxable profits that would allow for negative temporary differences to be deducted, do not recognise any deferred tax assets in their books.

Amortisation and depreciation rates

Depreciation and amortisation rates are determined on the basis of the expected economic useful lives of tangible non-current assets and intangible assets. Every year the Group reviews the adopted economic useful lives using current estimates.

Investment property

Investment property is measured at fair value. The value of investment property is determined as at December 31, each year by independent appraisers who hold valid authorisations to perform such valuations. In selecting the approach and technique thereof, the Group follows the principles set forth in the Real Estate Management Act and the Regulation of the Council of Ministers on the detailed principles of property appraisal and rules and method for preparing appraisal reports. Throughout the year, as at the consecutive balance sheet dates, i.e. March 31, June 30 and September 30, the Group assesses whether there are any indications that the fair value may need to be changed. Fair value of investment property is measured by way of applying measurement techniques that require a maximum use of observable data.

Goodwill impairment

Pursuant to IAS 36, cash-generating units to which goodwill has been allocated are tested for impairment annually by the Parent Company's Management Board. The tests performed consist in the estimation of the value in use of cash generating units ("CGU") on the basis of future cash flows generated by such units, which are next adjusted to their present value with the use of a discount rate. As at March 31, 2017 the Group did not perform any tests for impairment as no circumstances occurred which would indicate that cash generating units might have been impaired.

Write-downs of inventories

The Management Board assesses whether there are any indications that inventories may need to be written down. For that purpose, the Company estimates the net realisable value of those inventories that lost their functional properties or are no longer useful.

Impairment of trade receivables and other receivables

The Management Board assesses whether there are any indications that trade receivables and other receivables may need to be impaired. The value of receivables is verified, taking into account the degree of probability of their payment, by way of recognising an impairment loss. Impairment losses depend on the likelihood of collection and the detailed analysis of key components of receivables. Depending on the type of customer and the source of receivables, the recoverability of receivables is assessed either on the basis of an individual analysis of individual receivables or on the basis of the statistical recoverability ratios estimated for collective receivables grouped by age. The recoverability ratios are calculated based on the past recoverability and customer behaviour, including also other factors which in the opinion of the Management Board may affect the recoverability of the current accounts receivable.

Fair value and its measurement

Some assets and liabilities of the Group are measured at fair value for the purposes of financial reporting. The Company measures the fair value of assets or liabilities, to the extent possible, on the basis of the market data observable. The detailed information on the items measured at fair value is presented in Note 26 and 29. Information regarding measurement techniques and input data used for measuring the fair value of individual assets and liabilities is disclosed in Note 23, 40 and 4 of the Notes to the consolidated financial statements for 2016.

10. Basis for preparing the condensed consolidated financial statements

The condensed consolidated financial statements were prepared according to the historical cost principle, except for the financial derivatives, investment property and available-for-sale financial assets which are measured at fair value.

These condensed consolidated financial statements are presented in Polish zlotys ("PLN") and all amounts are expressed in thousands of Polish zlotys, unless indicated otherwise.

Certain financial data provided herein have been rounded. Therefore, the sum of the amounts in a given column or row in certain tables provided herein may differ slightly from the total amount given for such a column or row.

All the subsidiaries within Trakcja Group are consolidated using the full consolidation method.

All intra-group transactions and balances, including unrealised profits on intra-group transactions, have been completely eliminated. Unrealised losses are eliminated unless they are an impairment indicator.

Non-controlling interests are that portion of the profit or loss and net assets which are not owned by the Group. Non-controlling interests are presented as a separate item in the consolidated income statement and the consolidated statement of comprehensive income and also the consolidated balance sheet (within equity), separately from the equity of the owners of the Parent Company. At the acquisition of non-controlling interests, any difference between the acquisition price and the carrying amount thereof is recognised in the equity.

11. Statement of compliance

These condensed consolidated financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union. At the approval hereof, as far as the accounting principles adopted by the Group are concerned, there are no significant differences between the IFRS standards and the IFRS standards approved by the EU. Any standards other than those that were in force as of March 31, 2017 and were approved by the EU as at the preparation hereof are described in Note 12.1.

The IFRS include standards and interpretations approved by the International Accounting Standards Board and the IFRS Interpretations Committee.

Measurement currency and currency of the financial statements

The Polish zloty is the measurement currency of the Parent Company and the majority of the companies within the Group, as well as the reporting currency in these condensed consolidated financial statements for the first quarter of 2017.

Measurement currencies of the Group's companies that operate abroad are as follows:

- the euro (EUR) for the companies with their registered offices in Lithuania;
- the Swiss crown (SEK) for AB Kauno Tiltai Sverige and a branch of AB Kauno Tiltai in Sweden with their registered offices in Sweden;
- the Belarusian rouble (BYR) for a branch of AB Kauno Tiltai in Belarus;
- the Bulgarian lev (BYN) for a plant of Trakcja PRKiI in Bulgaria;
- the Ukrainian hryvnia (UAH) for Trakcja Ukraina Sp. z o.o. and a branch of Trakcja PRKiI in Ukraine.

12. Significant accounting principles

Except for the changes specified below, the accounting principles (policy) applied to these condensed consolidated financial statements for the first quarter of 2017 are consistent with those applied to the annual consolidated financial statements for 2016. The same principles apply to both the current and comparable period, unless a given standard or interpretation is to be applied only prospectively.

12.1. Standards and amendments to standards adopted by the IASB, but not yet approved by the EU

In these condensed consolidated financial statements, the Group decided not to apply any standards or interpretations issued before their effective dates.

At the moment, the IFRS in the shape approved by the European Union do not differ significantly from the regulations issued by the International Accounting Standards Board (IASB), except for the below new standards and amendments to standards, as well as new interpretation, which as at May 16, 2017 have not yet been approved for application in the EU:

- **IFRS 14 Regulatory Deferral Accounts** (effective for annual periods beginning on or after January 1, 2016) – The European Commission decided not to start the approval process of this interim standard for application in the EU until its final version is issued,
- **IFRS 16 Leases** (effective for annual periods beginning on or after January 1, 2019),
- **Amendments to IFRS 2 Share-based Payment** – Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after January 1, 2018),
- **Amendments to IFRS 4 Insurance Contracts** – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after January 1, 2018 or when IFRS 9 Financial Instruments is first applied),
- **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associated Entities and Joint Ventures** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, as amended (the effective date differed until the research project on the equity method has been concluded),
- **Amendments to IFRS 15 Revenue from Contracts with Customers** – Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after January 1, 2018),
- **Amendments to IAS 7 Statement of Cash Flows** – Disclosure Initiative (effective for annual periods beginning on or after January 1, 2017),
- **Amendments to IAS 12 Income Taxes** – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after January 1, 2017),
- **Amendments to IAS 40 Investment Property** – Transfers of Investment Property (effective for annual periods beginning on or after January 1, 2018),
- **Amendments to various standards – Annual Improvements to IFRS Standards 2014–2016 Cycle** – Amendments made under the procedure for making annual improvements to IFRS (IFRS 1, IFRS 12 and IAS 28) which aimed primarily at eliminating any inconsistencies and clarifying the terminology thereof (amendments to IFRS 12 effective for annual periods beginning on or after January 1, 2017, and amendments to IFRS 1 and IAS 28 effective for annual periods beginning on or after January 1, 2018),
- **Interpretation IFRIC 22 Foreign Currency Transactions and Advance Consideration** (effective for annual periods beginning on or after January 1, 2018).

According to the Group's estimates, the aforementioned new standards, amendments to the existing standards and interpretation would have no significant impact on the financial statements, if they were applied by the Group as at the balance sheet date.

The hedge accounting for a portfolio of financial assets or liabilities, whose principles have not been approved for application in the EU, continues to remain outside the regulations approved for application in the EU.

According to the Group's estimates, the application of hedge accounting to the portfolio of financial assets or liabilities under IAS 39 Financial Instruments: Recognition and Measurement would have no significant impact on the financial statements, if they were adopted for application as at the balance sheet date.

Amendments to the existing standards that have already been issued by the IASB and approved for application in the EU, but have not yet become effective

At the approval of these financial statements, the following new standards were issued by the IASB and approved for application in the EU, but had not yet become effective:

- **IFRS 9 Financial Instruments** – approved for application in the EU on November 22, 2016 (effective for annual periods beginning on or after January 1, 2018),
- **IFRS 15 Revenue from Contracts with Customers and Amendments to IFRS 15 Revenue from Contracts with Customers** – approved for application in the EU on September 22, 2016 (effective for annual periods beginning on or after January 1, 2018).

Amendments to standards and interpretations applied for the first time in 2017

At the approval of these financial statements, there were no amendments made to the existing standards that had been issued by the IASB and approved for application in the EU and that would become effective for the first time in

the Group's financial statements for 2017. In these condensed consolidated financial statements, the Group decided not to apply any standards or interpretations issued before their effective dates.

Changes introduced by the Group independently

In the period covered by the condensed financial statements for the first quarter of 2017, no changes were made to the principles of accounting and preparing financial statements in comparison to those disclosed in the Group's financial statements for 2016 published on March 21, 2017.

13. Description of factors and events that have a significant impact on the financial performance of Trakcja Group in the first quarter of 2017

As at March 31, 2017 the portfolio of construction contracts of Trakcja Group was PLN 1,347 million (excluding the revenues allocated to consortium members). In the first quarter of 2017, the companies within Trakcja Group signed construction contracts with the total value of PLN 249 million (excluding the revenues allocated to consortium members). The participation in new tenders in 2017 will allow the Group to secure, to an even greater extent, its portfolio of contracts for future periods.

The Trakcja Group's sales revenues for the first quarter of 2017 were PLN 136,656 thousand, that is they decreased by PLN 3,560 thousand as compared to the corresponding period of 2016. The cost of goods sold increased by PLN 8,651 thousand and was PLN 132,314 thousand.

The gross profit on sales was PLN 4,342 thousand and decreased by PLN 12,211 thousand as compared to the corresponding period of the previous year. The seasonality of the construction and installation services had an adverse impact on the performance of subsidiaries, which resulted in the Group's gross profit on sales being reduced. In the first quarter of 2017, the gross profit margin was 3.2%, while in the corresponding period of 2016 it was 11.8%.

The general and administrative costs were PLN 9,784 thousand and decreased by 26%, i.e. by PLN 3,432 thousand, in comparison with the comparable period. The decrease was mainly caused by the provisions for remunerations of the management board members of the subsidiaries being reversed in the first quarter of 2017. The cost of sales, marketing and distribution amounted to PLN 1,556 thousand and decreased by PLN 159 thousand. The profit on other operating activities of the Group was PLN 894 thousand and decreased by PLN 18 thousand as compared to the comparable period. The Group's operating loss for the first quarter of 2017 was PLN 6,104 thousand. The operating loss decreased by PLN 7,616 thousand as compared to the first quarter of 2016, when the operating profit was PLN 1,512 thousand.

The Group's loss on financial activity for the first quarter of 2017 was PLN 799 thousand and increased by PLN 69 thousand in relation to the loss on financial activities for the first quarter of the preceding year.

The Group's gross loss for the period from January 1, 2017 to March 31, 2017 was PLN 6,903 thousand, whereas the Group's gross profit for the corresponding period of 2016 was PLN 782 thousand. The income tax for the first quarter of 2017 decreased the gross loss by PLN 680 thousand. The Group's net loss for the period from January 1, 2017 to March 31, 2017 was PLN 6,223 thousand, whereas the Group's net profit for the corresponding period of 2016 was PLN 498 thousand.

At the end of the first quarter of 2017, the Group's balance sheet total was PLN 1,238,323 thousand and was lower by 11.3% than the balance sheet total at the end of 2016.

The non-current assets decreased by PLN 454 thousand (i.e. by 0.1% of the non-current assets as at December 31, 2016) and were PLN 721,271 thousand, while the current assets decreased by PLN 157,956 thousand, i.e. by 23.4% in comparison with their value as at December 31, 2016 and were PLN 517,052 thousand.

The decrease in the current assets resulted primarily from a decrease in the trade and other receivables by PLN 193,881 thousand, i.e. by 48.5%. As at March 31, 2017 the trade and other receivables were PLN 205,705. As at March 31, 2017 the cash and cash equivalents decreased by PLN 12,863 thousand, i.e. by 8.6%, as compared to December 31, 2016. The decrease results mainly from the payment of current liabilities towards contractors and from the high inventory levels.

As at March 31, 2017 the total equity of the Group decreased by PLN 21,687 thousand in comparison with its balance as at December 31, 2016. The decrease was mainly caused by the net loss for the 3-month period of 2017 and by a decrease in the foreign exchange differences arising from the conversion of foreign currencies.

As at March 31, 2017 the long-term liabilities were PLN 136,086 thousand and decreased by PLN 17,464 thousand, i.e. by 11.4%, in comparison with their balance as at December 31, 2016. The decrease resulted primarily from a decrease in the long-term provisions (by PLN 8,732 thousand).

The short-term liabilities were PLN 347,957 thousand and decreased by 25.5%, i.e. by PLN 119,259 thousand, as compared to December 31, 2016. The trade and other liabilities were PLN 200,290 thousand and decreased by PLN 109,698 thousand, i.e. by 35.4%. The interest-bearing loans and borrowings decreased by PLN 1,041 thousand and were PLN 20,962 thousand as at March 31, 2017.

At the beginning of 2017, the Group's cash was PLN 146,360 thousand, while at the end of the 3-month period it was PLN 135,186 thousand. The total net cash flows for the first 3 months of 2017 were negative and amounted to PLN 11,174 thousand, which means that they increased by PLN 147,008 thousand in comparison with the corresponding period of 2016.

14. Seasonality and cyclicity

The sale of the construction and installation, renovation, as well as road and rail services in Poland and abroad is of a cyclical nature above all due to the weather conditions. The highest revenues are usually generated by the Group in the second and third quarters and the lowest in the first quarter.

15. Information on issue, redemption and repayment of debt or equity securities

In the first quarter of 2017, the Group did not issue, redeem or repay any debt or equity securities.

16. Amounts that have had a significant impact on assets, liabilities, equity, net profit/loss or cash flows which are atypical due to their type, size, impact or frequency

In the first quarter of 2017, no events occurred which would have a significant impact on assets, liabilities, equity, net profit/loss or cash flows and no other events occurred which would be atypical due to their type, size, impact or frequency.

17. Factors that will have an impact on the Group's performance at least in the next quarter

The most important factors that will have an essential impact on the future financial performance of the Group include the following:

- The ability to win new construction contracts, which on account of the profile of the Group's activities is determined by the level of expenditures on the rail and tram infrastructure in Poland.
- The accuracy of the project cost estimates, as it exerts a direct impact on the decisions regarding the participation in tenders, the valuation of contracts for tenders and as a result the margins on the contracts. The accuracy of the contract cost budget estimates, which, in turn, depends on both methodological and external factors such as changes in prices for materials and services rendered by subcontractors.
- The Central Bank's monetary policy reflected in the interest rate changes. For the purpose of financing the acquisitions planned, the Group may take out bank loans, and therefore it may incur financial expenses determined by the interest rate levels.
- The timeliness in repayment of liabilities by customers. A failure to do so by customers may lead to the deterioration in the Group's financial liquidity.

Moreover, in the future, the Group's financial performance may be affected by changes in the legal regulations designating the scope of the Group's activities, including tax regulations and any regulations regarding other encumbrances of a public and legal nature, as well as any regulations regarding the following:

- the procedure for awarding public procurements, in particular, the amendment to the Public Procurement Law,
- the public and private partnership,
- the financing of railway infrastructure,

- the environmental protection in the scope of the implementation of individual projects, in particular, the Environmental Protection Law,
- the property development activities of PRK 7 Nieruchomości Sp. z o.o.

18. Risk factors

Factors that may significantly deteriorate the financial condition of the Group include the following:

- Risk of growing competition,
- Risk of changes in the strategy of the Polish and Lithuanian authorities with regard to the modernisation of infrastructure over the next few years,
- Risk of being dependent on key customers,
- Risk of a potential loss of subcontractors and a potential rise in prices for services rendered by subcontractors,
- Risk associated with the lack of qualified employees,
- Currency risk,
- Risk associated with the volatility of prices for materials,
- Risk associated with the joint and several liability of members of construction consortia and with the liability for subcontractors,
- Risk related to potential penalties for failure to complete contracts,
- Risk of underestimating the project costs,
- Risk of completing the construction contracts,
- Risk associated with the conditions and procedures for awarding tenders and with the completion of projects,
- Risk of growing a portfolio of overdue receivables,
- Risk related to financial agreements,
- Liquidity risk,
- Risk of implementing the strategy.

Factors other than the aforementioned, which may cause fluctuations in prices of shares in Trakcja - Tiltra S.A., include the following:

- Change in the Trakcja Group's creditworthiness,
- Change in the Trakcja Group's indebtedness,
- Disposal or purchase of assets by Trakcja Group,
- Significant changes in the shareholdership of Trakcja Group,
- Changes made by the capital market analysts to their forecast and recommendations for Trakcja PRKiI, its competitors, partners and sectors of economy, in which the Group operates.

19. Opinion of the Management Board on the published forecast

The Management Board of Trakcja PRKiI S.A. did not publish any financial forecast for 2017.

20. Brief description of significant accomplishments or failures in the first quarter of 2017

The Group's significant accomplishments in the 3-month period ended March 31, 2017 include the following:

- Gross profit on sales for the 3-month period of 2017, which was PLN 4,342 thousand.

- Securing the availability of funding: as at March 31, 2017 the Trakcja Group's companies had at their disposal the total of overdrafts and revolving loans of up to PLN 182 million.
- Securing the availability of guarantee limits: as at March 31, 2017 the Trakcja Group's companies had at their disposal guarantee limits in the amount of up to PLN 878 million.
- Further diversification of activities abroad – the establishment of a new branch of Trakcja PRKil S.A. and a separate subsidiary in Ukraine.
- Further development of IT equipment which supports the processes in the Parent Company.

21. Information material for the assessment of the Group's employment, assets, financial condition and performance and changes therein, as well as information material for the assessment of the Parent Company's ability to meet its obligations

No information material for the assessment of the Group's employment, assets, financial condition and performance and changes therein or for the assessment of the Group's ability to meet its obligations is available other than that presented in these condensed consolidated financial statements for the first quarter of 2017.

22. Deferred tax

	Balance sheet		Consolidated statement of total comprehensive income for the period of 3 months ended 31.03.2017
	31.03.2017	31.12.2016	
	Unaudited	Audited	
Deferred tax assets	43 804	51 267	(7 463)
Provision for deferred tax	40 229	48 628	8 399
The value of offsetting of deferred tax assets and deferred tax liabilities	(33 713)	(40 560)	
Offset by the deferred tax asset	10 091	10 707	
Offset by the deferred tax liability	6 516	8 068	
Change of deferred tax assets and liabilities			936
Including:			
- through profit or loss			795
- through equity			23
- variances due to currency translation			118

23. Change in impairment losses and write-downs

	Tangible assets	Intangible assets	Goodwill	Inventory	Receivables	Total
As at 1.01.2017	792	-	61 532	688	26 003	89 015
<i>Audited</i>						
Recognized	-	-	-	75	26 232	26 307
Variances due to currency translation	-	-	-	-	(49)	(49)
Used	-	-	-	-	(58)	(58)
Reversed	-	-	-	-	(1 026)	(1 026)
As at 31.03.2017	792	-	61 532	763	51 102	114 189
<i>Unaudited</i>						

24. Provisions

	<u>Provisions</u>
As at 1.01.2017	63 003
<i>Audited</i>	
Recognized	1 784
Variations due to currency translation	(893)
Used	(3 230)
Reversed	(12 449)
	<hr/>
As at 31.03.2017	48 215
<i>Unaudited</i>	
including	
- long-term	18 918
- short-term	29 297

25. Acquisitions and disposals of tangible non-current assets and other intangible assets

From January 1, 2017 to March 31, 2017, the Group purchased tangible non-current assets and intangible assets in the amount of PLN 18,838 thousand (as compared to PLN 7,790 thousand in the comparable period of 2016).

From January 1, 2017 to March 31, 2017, the Group disposed of tangible non-current assets and intangible assets in the total book value of PLN 1,557 thousand (as compared to PLN 441 thousand in the comparable period of 2016).

26. Information on changes in the measurement method for financial instruments measured at fair value

In the first quarter of 2017, the Group did not change the measurement method for any categories of financial instruments measured at fair value as compared to the annual consolidated financial statements. The carrying amounts of financial assets and liabilities are close to their fair values.

Due to a short-term nature of trade and other receivables and trade and other liabilities, as well as cash and cash equivalents, the carrying amounts of these financial instruments are close to their fair value.

Any loans granted and any loans and borrowings incurred are based on the variable market rates linked to WIBOR and EURIBOR, and therefore their fair value is close to their carrying amount.

The fair value of the IRS contracts (classified as financial derivatives) is calculated as the present value of estimated future cash flows using the yield curves.

In the first quarter of 2017, no fair value was reallocated to level 1, 2 or 3.

27. Information on reclassification of financial assets due to changes in their purpose or use

In the first quarter of 2017, the Group did not reclassify any financial assets due to changes in their purpose or use.

28. Additional information to the statement of cash flows

As at March 31, 2017 and December 31, 2016, the cash and cash equivalents in the consolidated statement of cash flows consisted of the following items:

	31.03.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Cash in hand	195	167
Cash at bank	102 549	127 581
Other cash - escrow	33 192	21 050
Total cash and cash equivalents	135 936	148 799
Cash and cash equivalents excluded from cash flow statement	(750)	(2 439)
Cash and cash equivalents presented in cash flow statement	135 186	146 360

Cash excluded from the statement of cash flows as at March 31, 2017 comprises cash blocked on the property development project accounts in the amount of PLN 750 thousand.

29. Assets and liabilities measured at fair value

The Group measures at fair value such categories of assets and liabilities as investment property and financial derivatives. In the period of 3 months ended March 31, 2017 the measurement method for the aforementioned assets and liabilities remained unchanged. The measurement method applied and the unobservable inputs used for measurement are described in detail in the Group's consolidated annual financial statements for 2016.

Balance sheet elements accounted in fair value	Level 1		Level 2		Level 3	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016	31.03.2017	31.12.2016
Derivatives (liability)	-	-	6 123	6 976	-	-
Investment property	-	-	-	-	20 960	21 226
Offices	-	-	-	-	15 213	15 213
Land	-	-	-	-	1 919	2 185
Deposits of natural aggregates	-	-	-	-	3 828	3 828

In the period of 3 months ended March 31, 2017 no reallocations were made to level 1, 2 or 3.

30. Information on segments

Segments are described in the consolidated annual financial statements of Trakcja Group for 2016.

Key customers:

In the period of 3 months of 2017, revenues from transactions with external single customers constituted respectively 10% or more of the total revenues of the Group. Total revenues by type of customers and by segments to which such revenues pertain are presented in the table below.

The total amount of income obtained in 3 months ended 31.03.2017 from a single customer (thousand PLN)	Operation segment containing the revenue
70 751	civil building segment

The Group does not present its revenues from external customers by revenues from goods and revenues from services, because the performance of segments is analysed in terms of the construction contracts completed by individual segments.

Operating segments:

For the period from 1.01.2017 to 31.03.2017

Unaudited

	Continued operations			Total	Discontinued operations	Exclusions	Total operations
	Civil Building Segment - Poland	Construction, Engineering and Concession Agreements Segment - Baltic countries	Other segments				
Revenues							
Sales to external customers	95 671	40 059	926	136 656	-	-	136 656
Sales between segments	2	-	-	2	-	(2)	-
Total segment revenues	95 673	40 059	926	136 658	-	(2)	136 656
Results							
Depreciation	5 145	2 448	6	7 599	-	-	7 599
Financial revenues - interests	92	900	4	996	-	(23)	973
Financial expenses - interests	1 181	743	24	1 948	-	(23)	1 925
Gross profit	2 544	(9 480)	33	(6 903)	-	-	(6 903)

For the period from 1.01.2016 to 31.03.2016

Unaudited

	Continued operations			Total	Discontinued operations	Exclusions	Total operations
	Civil Building Segment - Poland	Construction, Engineering and Concession Agreements Segment - Baltic countries	Other segments				
Revenues							
Sales to external customers	93 669	46 267	280	140 216	-	-	140 216
Sales between segments	2	-	-	2	-	(2)	-
Total segment revenues	93 671	46 267	280	140 218	-	(2)	140 216
Results							
Depreciation	3 327	2 183	22	5 532	-	-	5 532
Share of profit of entities consolidated using equity method	(1 022)	-	-	(1 022)	-	-	(1 022)
Financial revenues - interests	246	959	14	1 219	-	-	1 192
Financial expenses - interests	568	765	31	1 364	-	-	1 337
Zysk (strata) brutto segmentu	1 000	36	(252)	784	-	(2)	782

As at 31.03.2017

Unaudited

	Continued operations						Total operations
	Civil Building Segment - Poland	Construction, Engineering and Concession Agreements Segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	
Segment assets	714 319	659 128	42 895	1 416 342	-	(188 110)	1 228 232
Assets not allocated to segments							10 091
Total assets							1 238 323
Segment liabilities	231 433	172 375	5 885	409 693	-	(61 736)	347 957
Other disclosures:							
Capital expenditures	(14 120)	(1 913)	-	(16 033)	-	-	(16 033)
Impairment of non-financial assets	(75)	-	-	(75)	-	-	(75)

As at 31.12.2016

Audited

	Continued operations						Total operations
	Civil Building Segment - Poland	Construction, Engineering and Concession Agreements Segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	
Segment assets	806 362	702 631	44 275	1 553 269	-	(167 243)	1 386 026
Assets not allocated to segments							10 707
Total assets							1 396 733
Segment liabilities	322 596	185 287	7 305	515 188	-	(47 972)	467 216
Other disclosures:							
Capital expenditures	(34 333)	(14 174)	-	(48 508)	-	-	(48 508)
Impairment of non-financial assets	(12 961)	-	-	(12 961)	-	-	(12 961)

Geographical segments:

For the period from 1.01.2017 to 31.03.2017 <i>Unaudited</i>	Continued operations					
	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
Revenues						
Sales to external customers	96 597	40 059	136 656	-	-	136 656
Sales between segments	-	-	-	-	-	-
Sales domestic/abroad	-	-	-	-	-	-
Total segment revenues	96 597	40 059	136 656	-	-	136 656

For the period from 1.01.2016 to 31.03.2016 <i>Unaudited</i>	Continued operations					
	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
Revenues						
Sales to external customers	93 949	46 267	140 216	-	-	140 216
Sales between segments	2	-	2	-	(2)	-
Sales domestic/abroad	-	-	-	-	-	-
Total segment revenues	93 951	46 267	140 218	-	(2)	140 216

As at 31.03.2017 <i>Unaudited</i>	Continued operations					
	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
Operating assets	757 265	659 077	1 416 342	-	(188 110)	1 228 232
Operating liabilities	254 275	155 418	409 693	-	(61 736)	347 957

As at 31.12.2016 <i>Badane</i>	Continued operations					
	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
Operating assets	850 694	702 575	1 553 270	-	(167 243)	1 386 026
Operating liabilities	347 593	167 595	515 188	-	(47 972)	467 216

31. Contingent receivables and liabilities

Contingent receivables and liabilities are presented in the table below:

	31.03.2017	31.12.2016
	<i>Niebadane</i>	<i>Audited</i>
Contingent receivables		
From related entities due to:	72 350	70 528
Received guarantees and sureties	68 481	65 693
Bills of exchange received as collateral	3 869	4 835
Total contingent receivables	72 350	70 528
Contingent liabilities		
To other entities due to:	2 203 027	2 289 406
Provided guarantees and sureties	625 420	605 412
Promissory notes	487 165	548 593
Mortgages	149 612	152 057
Assignment of receivables	803 352	851 469
Assignment of rights under insurance policy	51 959	48 412
Deposits	16 575	14 280
Other liabilities	68 944	69 183
Total contingent liabilities	2 203 027	2 289 406

Contingent liabilities due to guarantees and sureties granted for the benefit of other entities are mainly guarantees issued by banks for the benefit of business partners of the Group members as collateral for their claims against the Group arising out of the construction contracts performed (performance bonds, retention bonds and advance payment guarantees). Banks have a right of recourse against the Group. Promissory notes are a different form of collateral for the aforementioned bank guarantees.

As at March 31, 2017, except for the aforementioned contingent receivables and liabilities, the Group had contingent receivables in the amount of PLN 1,444 thousand (as compared to PLN 1,503 thousand as at December 31, 2016) arising from the employment contracts signed with employees. If a manager fails to meet his or her obligations defined in Article 1 of the Non-Competition Agreement, he or she will pay, immediately and without a termination notice or any demand issued by the Group, a contractual penalty in the maximum amount equal to the PLN equivalent of EUR 25,000 for each failure and the PLN equivalent of EUR 1,000 for each day in which such a failure occurs or continues. The contingent liabilities arising from employment contracts with employees were PLN 7,986 thousand as at March 31, 2017 (as compared to PLN 8,265 thousand as at December 31, 2016).

Tax settlements and other fields of business subject to regulations (for example, customs or foreign currency matters) may be subject to inspections by administrative authorities entitled to impose high penalties and sanctions. The lack of reference to the well-established legal regulations in Poland and Lithuania results in the legislation in force being ambiguous and inconsistent. Frequent differences in opinions as to the legal interpretation of tax regulations, both within the state authorities themselves and between such authorities and business entities, create conflicts and uncertainty. Such events result in the tax risk in Poland being much higher than in countries with more advanced tax systems. Tax settlements may be subject to inspection during the period of five years starting from the end of the year in which the tax was paid. As a result of the inspections carried out, any current tax settlements of the Group may be increased by additional tax liabilities. In the Group's opinion, the provisions established as at March 31, 2017 are sufficient to mitigate the recognised and measurable tax risk.

The Group recognises the right of perpetual usufruct of land acquired free of charge as operating lease (off-balance sheet item) in the amount of PLN 1,567 thousand.

32. Information on sureties for loans or borrowings and on guarantees granted by the Issuer or its subsidiary

In the first quarter of 2017, neither the Issuer nor its subsidiaries did grant any sureties for credits or loans or any guarantees to any entity or its subsidiary, the total of which would constitute an equivalent of at least 10% of the Issuer's equity.

33. Significant court cases and disputes

The Company notifies that the total value of the proceedings concerning the Company's claims is PLN 136,781,184.44, and the total value of proceedings concerning the Company's liabilities is PLN 5,205,986.84.

At as March 31, 2017 the Company was a party to the proceedings whose value separately constituted an equivalent of at least 10% of the equity of Trakcja PRKiL S.A.:

The case concerning summons to a conciliatory settlement regarding reimbursement of fixed costs incurred in two extension periods for the performance of the contract, filed against PKP PLK S.A. by the Consortium that comprises Trakcja PRKiL S.A. and Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie sp. z o. o.

On December 2, 2016 the Company and Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie Sp. z o.o. applied for summons to a conciliatory settlement against PKP PLK S.A. for payment of PLN 65,848,167.00 due to the extension of the completion term of the contract named: "Design and completion of construction works on the railway line Kraków - Medyka - State border, at the section Podłęże - Bochnia, km 16,000 - 39,000 as part of the Project "Modernisation of the railway line E 30/C-E30, section Kraków - Rzeszów, phase III". The Company's claims are estimated to be approx. PLN 25 million. The case is at the early stage of proceedings and its resolution date is difficult to predict.

Other proceedings concerning claims:

The case concerning claims against Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. w upadłości likwidacyjnej in Warsaw (as at the commencement thereof, the case value exceeded 10% of the Company's equity)

Trakcja S.A. in Warsaw merged with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. in Wrocław. As a result of this merger, the legal successor of both companies is Trakcja PRKiL S.A. in Warsaw. In connection with the announcement by the District Court of Warsaw-Praga Północ in Warsaw of the bankruptcy of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. (hereinafter referred to as the "PNI") with an option of composition, Przedsiębiorstwo Robót Komunikacyjnych i Inżynieryjnych S.A. in Wrocław provided a submission of claims of 20 November 2012 to the bankruptcy court. The submission covered claims in the total amount of PLN 55,664,100.89, including the principal amount and the interest due up to the declaration of bankruptcy, as well as the accrued contractual penalties.

To the Company's best knowledge, the list of claims towards PNI was drawn up. The claims of Trakcja PRKiL S.A. were recognised in the amount of PLN 10,569,163.16, including PLN 10,274,533.87 for the unpaid invoices and PLN 294,632.29 for the interest for delay in payment. The Company's receivables from contractual penalties and other claims in the total amount of PLN 44,956,834.35 were dismissed. The Company did not agree with that dismissal; therefore, an objection was submitted to the judge commissioner concerning the dismissal in the aforementioned scope. The court had rejected the objection; therefore the Company filed a complaint which was overruled. On June 8, 2015 the Company received a notice from the trustee in bankruptcy on the change in the bankruptcy procedure from the arrangement bankruptcy to the liquidation bankruptcy. The case is pending and its resolution date is difficult to predict.

Submission of claims to the bankruptcy estate of Projekt-Bud Sp. z o.o. based in Warsaw

The Company notifies that on March 10, 2015, by the decision of the District Court of the City of Warsaw in Warsaw, Projekt-Bud Sp. z o.o. was declared bankrupt ("Bankrupt") with an option of arrangement. The Company submitted its claims against the Bankrupt in total amount of PLN 9,708,613.62. The total amount of lodged claims comprised claims under the lease of locomotives and wagons, equipment rental, sales contracts, performed works and the contractual penalty charged against the Bankrupt. On December 31, 2015 PKP PLK made a direct payment of PLN 7,382 827.30. In view of the above, at the approval of these financial statements, the Company's claim against the Bankrupt was PLN 2,325,786.32 in consideration of the contractual penalty.

The most significant proceedings concerning liabilities:

Case initiated by Eiffage Polska Koleje Sp. z o.o. with its registered office in Warsaw

Eiffage Polska Koleje Sp. z o.o. based in Warsaw filed on May 15, 2015 a suit for payment for the amount of PLN 1,634,833.00 against Trakcja PRKiL S.A., seeking remuneration for additional expenses incurred in the extended term of the contract. The Company filed its reply to the claim and now the case is pending. Its resolution date is difficult to predict.

Other proceedings:

Apart from the proceedings specified above, which are reflected in the amounts stated at the beginning of the note, there are also other disputes pending within the Group:

PRK 7 Nieruchomości Sp. z o.o.

A case filed by Osiedle Lazurkowe Commonhold against the company for the payment of PLN 700,466.50 together with interest from the date of filing the suit to the date of payment, is pending before the Regional Court in Warsaw. The Company challenges the claims included in the lawsuit, therefore the Company submitted a response to the lawsuit. In 2015, a provision was established to cover this amount. The case is pending and its resolution date is difficult to predict.

AB Kauno Tiltai

The investor, AB Lietuvos geležinkeliai, filed a lawsuit against the Consortium, of which the subsidiary, AB Kauno Tiltai, is a member, for a total amount of PLN 63,252,929.80 (EUR 14,989,556.33). The investor brought a claim against AB Kauno Tiltai concerning the contractual penalty for delay in the performance of works. The share of Trakcja Group in liabilities (if any) that may arise from this trial is 65%. An expertise has so far been carried out during the proceedings. As a result of the analysis of risks related to the pending court proceedings, the Group established a provision regarding the proceedings in 2015. As at December 31, 2016 the Group decided to keep the provision unchanged in the amount set since December 31, 2015. The Group refrained from making any other disclosures related to this court case by invoking clause 92 of IAS 37.

34. Dividends paid and declared

No dividends were declared or paid in the first quarter of 2017.

35. Information on related entities

In the first quarter of 2017, the Group companies did not make any significant transactions with their related entities on terms other than at arm's length. Transactions made by the Parent Company and its subsidiaries (related entities) are the arm's length transactions and their nature is a result of the current operations conducted by the Parent Company and its subsidiaries.

Please find below the totals of transactions made with related entities from January 1, 2017 to March 31, 2017:

Please also find below information on any receivables from and liabilities towards related entities as at March 31, 2017:

Related entities	Period	Sale to related entities	Purchases from related entities	Interest revenue	Interest costs	Financial revenue from FX differences and other	Financial costs from FX differences and other
Shareholders of parent company:							
COMSA S.A.	1.01.17-31.03.17	18 089	461	-	-	-	-
	1.01.16-31.03.16	-	345	-	-	-	-
Joint venture:							
Bahn Technik Wrocław Sp. z o.o.	1.01.16-31.03.16	231	64	-	-	-	-
Total	1.01.17-31.03.17	18 089	461	-	-	-	-
	1.01.16-31.03.16	231	409	-	-	-	-

Related entities	Reporting date	Receivables from related entities	Liabilities towards related entities	Loans granted	Borrowings received
Shareholders of parent company:					
COMSA S.A.	31.03.2017	9 648	461	-	-
	31.12.2016	5 798	831	-	-
Total	31.03.2017	9 648	461	-	-
	31.12.2016	5 798	831	-	-

The Parent Company and its shareholder, COMSA S.A., have signed an agreement for granting to Trakcja PRKiL S.A. a licence for the entire technical know-how and trademark, as well as for providing non-material goods in the form of competences, industry knowledge and expert knowledge in terms of organization, operations, sales and technology of COMSA S.A. The agreement has been concluded at arm's length.

36. Significant events in the first quarter of 2017 and after the balance sheet date

Please find below a summary of significant events that took place in the first quarter of 2017.

Significant agreements	CR
January 20, 2017 The Company, acting as a Consortium Leader, concluded an agreement with PKP PLK S.A. "Work on the railway lines No. 140, 148, 157, 159, 173, 689, 691 at the section Chybie – Żory – Rybnik – Nędza / Turze" under the Operational Programme Infrastructure and Environment (POLiŚ) 5.2-5 amounting to net PLN 373.7 million (hereinafter "the Agreement"). The planned Issuer's share is net PLN 124.5 million. The works are to be completed within 30 months from the date of signing the Agreement.	2/2017
Other	CR
January 9, 2017 The Company made public the following dates of publication of periodic reports in 2017.	1/2017
March 15, 2017 As a result of test performed for the impairment of goodwill attributable to a cash-generating unit composed of the following subsidiaries: Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o., Dalba Sp. z o.o. and Przedsiębiorstwo Drogowo-Mostowe Białystok S.A., the Management Board decided to write down the value of this asset in the consolidated balance sheet of Grupa Trakcja in the amount of PLN 11,799 thousand, which was presented in the consolidated financial result for 2016.	3/2017
March 21, 2017 The Company made public the correction of the consolidated annual report for the financial year 2016. The company explained that the wrong indication involved repeated use of values from 2015 in the item (line) "Gross profit (loss) of the segment" for each operating segment in 2016.	4/2017

Please find below a summary of significant events that took place after the balance sheet date.

Significant agreements	CR
April 18, 2017 The Company, acting as a Consortium Leader, concluded with PKP PLK S.A. an agreement for the implementation of construction works in the area of LCS Łowicz – section Sochaczew – Żychlin and section Placencja – Łowicz Główny as part of the project "Works on the railway line E20 at the section Warszawa-Poznań – other works, section Sochaczew-Swarzędz", being implemented under the EU financial instrument "Connecting Europe Facility" (CEF). The planned Issuer's share is net PLN 428.5 million. The works are to be completed within 42 months from the date of the commencement of work.	5/2017

IV. QUARTERLY FINANCIAL INFORMATION

STANDALONE PROFIT AND LOSS STATEMENT

	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
	<i>Unaudited</i>	<i>Unaudited</i>
Continued operations		
Sales revenue	91 721	91 028
Cost of goods sold	(79 402)	(81 463)
Gross profit (loss) on sales	12 319	9 565
Cost of sales, marketing and distribution	(483)	(564)
General and administrative costs	(5 565)	(6 056)
Other operating revenues	149	1 068
Other operating costs	(160)	(164)
Operating profit (loss)	6 260	3 849
Financial revenues	67	247
Financial costs	(1 489)	(769)
Gross profit (loss)	4 838	3 327
Income tax	(903)	(409)
Net profit (loss) from continued operations	3 935	2 918
Discontinued operations		
Net profit (loss) from discontinued operations	-	-
Net profit for the period	3 935	2 918
Profit per share attributable to shareholders in the period (PLN per share)		
- basic	0,08	0,06
- diluted	0,08	0,06

STANDALONE STATEMENT OF COMPREHENSIVE INCOME

	1.01.2017 - 31.03.2017	1.01.2016 - 31.03.2016
	<i>Unaudited</i>	<i>Unaudited</i>
Net profit for the period	3 935	2 918
Other comprehensive income:		
Other comprehensive income that will not be reclassified into profit or loss under certain conditions:	(79)	437
Actuarial gains/(losses)	(79)	437
Other comprehensive income that will be reclassified to profit or loss:	23	-
Foreign exchange differences on translation of foreign	23	-
Total other comprehensive income	(56)	437
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3 879	3 355

STANDALONE BALANCE SHEET

ASSETS	31.03.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Non-current assets	661 441	657 078
Tangible non-current assets	137 719	134 895
Intangible assets	53 914	54 276
Investment properties	17 174	17 174
Investments in subsidiaries	436 241	436 241
Other financial assets	6 521	4 734
Deferred tax assets	6 602	7 483
Prepayments	3 270	2 275
Current assets	250 868	356 980
Inventory	40 864	30 400
Trade and other receivables	131 642	281 302
Income tax receivables	133	-
Other financial assets	5 167	5 836
Cash and cash equivalents	29 184	18 820
Accruals	6 664	3 981
Construction contracts	34 152	13 579
Assets held for sale	3 062	3 062
Total assets	912 309	1 014 058
Equity and liabilities		
Equity	629 192	625 311
Share capital	41 120	41 120
Share premium	309 984	309 984
Revaluation reserve	5 801	5 800
Other capital reserves	239 639	239 717
Retained earnings	32 634	28 699
Foreign exchange differences on translation of foreign operations	14	(9)
Total equity	629 192	625 311
Long-term liabilities	69 959	80 736
Interest-bearing loans and borrowings	52 876	54 759
Provisions	9 302	17 577
Liabilities due to employee benefits	7 781	8 400
Short-term liabilities	213 158	308 011
Interest-bearing loans and borrowings	15 553	16 249
Trade and other liabilities	145 236	245 053
Provisions	17 872	19 722
Liabilities due to employee benefits	6 754	7 200
Tax liabilities	-	2 095
Other financial liabilities	4 138	-
Accruals	297	258
Construction contracts	23 308	17 434
Total equity and liabilities	912 309	1 014 058

STANDALONE STATEMENT OF CASH FLOWS

Note	1.01.2017- 31.03.2017	1.01.2016- 31.03.2016
	Unaudited	Unaudited
Cash flows from operating activities		
Gross profit from continued operations	4 838	3 327
Gross profit (loss) from discontinued operations	-	-
Adjustments for:	11 215	(91 501)
Depreciation	3 324	2 770
Net interest and dividends	773	476
Profit on investment activities	49	(25)
Change in receivables	149 660	(1 476)
Change in inventory	(10 464)	(12 292)
Change in liabilities, excluding loans and borrowings	(101 492)	(62 638)
Change in prepayments and accruals	(3 641)	753
Change in provisions	(10 125)	(1 894)
Change in construction contracts	(14 700)	(14 380)
Income tax paid	(2 229)	(3 362)
Other	59	567
Exchange rate differences on translation	1	-
Net cash flows from operating activities	16 053	(88 174)
Cash flows from investment activities		
Sale (purchase) of intangible assets and tangible non-current assets	(4 128)	(2 841)
- acquisition	(4 130)	(2 875)
- sale	2	34
Sale (purchase) of shares	-	(160)
- purchase	-	(160)
Financial assets	(2 096)	5 796
- sold or repaid	101	6 463
- granted or acquired	(2 197)	(667)
Loans	1 000	(3 700)
- repaid	1 000	-
- granted	-	(3 700)
Net cash flows from investment activities	(5 224)	(905)
Cash flows from financing activities		
Repayment of loans and borrowings	(1 107)	(1 060)
Interest paid	(887)	(522)
Payment of liabilities under financial lease agreements	(2 542)	(2 198)
Inflows (outflows) income from other financial liabilities	4 071	(158)
Net cash flows from financing activities	(465)	(3 938)
Total net cash flows	10 364	(93 017)
Net FX differences	-	-
Cash at start of period	18 820	136 025
Cash at end of period	3 29 184	43 008
- with limited access	-	926

STANDALONE STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Revaluation reserve	Other reserves capital		Foreign exchange differences on translation of foreign operations	Retained earnings	Total equity
				Actuarial gains/ (losses)	Results from previous years			
<i>Unaudited</i>								
As at 1.01.2017	41 120	309 984	5 800	470	239 247	(9)	28 699	625 311
Corrections of errors	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-
As at 1.01.2017 after adjustments	41 120	309 984	5 800	470	239 247	(9)	28 699	625 311
Net profit for the period	-	-	-	-	-	-	3 935	3 935
Other comprehensive income	-	-	-	(79)	-	23	-	(56)
Other	-	-	1	-	1	-	-	2
As at 31.03.2017	41 120	309 984	5 801	391	239 248	14	32 634	629 192
<i>Unaudited</i>								
Na dzień 1.01.2016 r.	41 120	309 984	6 295	(779)	221 546	-	35 161	613 327
Corrections of errors	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-
As at 1.01.2016 after adjustments	41 120	309 984	6 295	(779)	221 546	-	35 161	613 327
Net profit for the period	-	-	-	-	-	-	2 918	2 918
Other comprehensive income	-	-	-	437	-	-	-	437
Distribution of profit	-	-	-	-	35 161	-	(35 161)	-
As at 31.03.2016	41 120	309 984	6 295	(342)	256 707	-	2 918	616 682

	Share capital	Share premium	Revaluation reserve	Other reserve capitals		Foreign exchange differences on translation of foreign operations	Retained earnings	Total
				Actuarial gains/ (losses)	Results from previous years			
Audited								
As at 1.01.2016	41 120	309 984	6 295	(779)	221 546	-	35 161	613 327
Corrections of errors	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-
As at 1.01.2016 after adjustments	41 120	309 984	6 295	(779)	221 546	-	35 161	613 327
Net profit for the period	-	-	-	-	-	-	28 699	28 699
Other comprehensive income	-	-	(490)	1 249	-	(9)	-	750
Distribution of profit	-	-	-	-	17 685	-	(17 685)	-
Dividend payment	-	-	-	-	-	-	(17 476)	(17 476)
Other	-	-	(5)	-	16	-	-	11
As at 31.12.2016 Audited	41 120	309 984	5 800	470	239 247	(9)	28 699	625 311

V. ADDITIONAL INFORMATION AND EXPLANATIONS TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS

1. Analysis of the financial performance of Trakcja PRKiL S.A. in the first quarter of 2017

In the first quarter ended March 31, 2017 the Company's sales revenues were PLN 91,721 thousand, which is an increase by 0.8% as compared to the corresponding period of 2016. In the first quarter of 2017, the cost of goods sold decreased by PLN 2,061 thousand, i.e. by 2.5%, and was PLN 79,402 thousand. In the first quarter of 2017, the gross profit margin was 13.4% and increased by 2.9 pp. in comparison with its level at the end of the first quarter of 2016.

The general and administrative costs were PLN 5,565 thousand and decreased by 8.1%, i.e. by PLN 491 thousand, in comparison with the comparable period. The cost of sales, marketing and distribution was PLN 483 thousand in the analysed period.

The loss on other operating activities was PLN 11 thousand, which means that it decreased by PLN 915 thousand in comparison with the corresponding period of the preceding year. The Company's operating profit for the period from January 1, 2017 to March 31, 2017 was PLN 6,260 thousand. It increased by PLN 2,411 thousand in comparison with its level for the first quarter of 2016, when it was PLN 3,849 thousand.

The Company's financial revenues were PLN 67 thousand and decreased in comparison with the financial revenues for the first quarter of 2016 by PLN 180 thousand. The financial expenses increased by PLN 720 thousand and were PLN 1,489 thousand.

The Company's gross profit for the period from January 1, 2017 to March 31, 2017 was PLN 4,838 thousand. The income tax for the first quarter of 2017 was PLN 903 thousand and increased by PLN 494 thousand as compared to the corresponding period of the preceding year. The Company's net profit for the period from January 1, 2017 to March 31, 2017 was PLN 3,935 thousand and was higher by PLN 1,017 thousand than the net profit for the corresponding period of the preceding year.

At the end of the first quarter of 2017, the Company's balance sheet total was PLN 912,309 thousand and was lower by PLN 101,749 thousand than the balance sheet total at the end of 2016.

The non-current assets increased by PLN 4,363 thousand and were PLN 661,441 thousand. As compared to the end of 2016, the current assets decreased by PLN 106,112 thousand, i.e. by 29.7%, and were PLN 250,868 thousand. The decrease resulted primarily from a decrease in the trade and other receivables by PLN 149,660 thousand, i.e. by 53.2%, which were PLN 131,642 thousand as at March 31, 2017. The Company's inventories increased by PLN 10,464 thousand and were PLN 40,864 thousand as at March 31, 2017. The Company's cash and cash equivalents increased by PLN 10,364 thousand, i.e. by 55.1%, and were PLN 29,184 thousand at the end of March 2017.

As at March 31, 2017 the Company's equity increased by PLN 3,881 thousand as compared to its balance as at December 31, 2016.

In comparison with the end of 2016, the long-term liabilities decreased by PLN 10,777 thousand and were PLN 69,959 thousand as at March 31, 2017. The short-term liabilities were PLN 213,158 thousand and decreased by 30.8%, i.e. by PLN 94,853 thousand as compared to the end of the previous year. The decrease was mainly caused by a decrease in the trade and other liabilities, which were PLN 145,236 thousand and decreased by PLN 99,817 thousand, i.e. by 40.7%.

At the beginning of 2017, the Company's cash was PLN 18,820 thousand, while at the end of the 3-month period of 2017 it was PLN 29,184 thousand. The total net cash flows for the first 3 months of 2017 were PLN 10,364 thousand, which means that they increased by PLN 103,381 thousand in comparison with the corresponding period of 2016. The Company's cash flows from operating activities were PLN 16,053 thousand. The Company's cash flows from investment activities in the first quarter of 2017 were negative and amounted to PLN 5,224 thousand and its cash flows from financial activities were PLN 465 thousand.

2. Seasonality and cyclicity

The sale of the construction and installation, renovation, as well as road and rail services in Poland is of a cyclical nature above all due to the weather conditions. The highest revenues are usually generated in the second and third quarters and the lowest in the first quarter.

3. Additional information to the statement of cash flows

	31.03.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Cash in hand	47	42
Cash at bank	1 737	1 602
Other cash - deposits	27 400	17 176
Total cash and cash equivalents	29 184	18 820
Cash and cash equivalents excluded from cash flow statement	-	-
Cash and cash equivalents presented in cash flow statement	29 184	18 820

4. Contingent receivables and liabilities

Contingent receivables and liabilities are presented in the table below:

	31.03.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Contingent receivables		
From related entities due to:	71 493	70 075
Received guarantees and sureties	67 624	65 240
Bills of exchange received as collateral	3 869	4 835
Total contingent receivables	71 493	70 075
Contingent liabilities		
To other entities due to:	1 854 565	2 002 238
Provided guarantees and sureties	515 057	509 877
Promissory notes	486 225	547 720
Mortgages	99 000	99 000
Assignment of receivables	629 349	722 767
Assignment of rights under insurance policy	41 559	41 559
Deposits	14 431	12 133
Other liabilities	68 944	69 183
Total contingent liabilities	1 854 565	2 002 239

Contingent liabilities due to guarantees and sureties granted for the benefit of other entities are mainly guarantees issued by banks for the benefit of business partners of the Company as collateral for their claims against the Company arising out of the construction contracts performed (performance bonds, retention bonds and advance payment guarantees). Banks have a right of recourse against the Company. Promissory notes are a different form of collateral for the aforementioned bank guarantees.

As at March 31, 2017, except for the aforementioned contingent receivables and liabilities, the Company had contingent receivables in the amount of PLN 1,444 thousand (as compared to PLN 1,503 thousand as at December 31, 2016) arising from the employment contracts signed with employees. If a manager fails to meet his or her obligations defined in Article 1 of the Non-Competition Agreement, he or she will pay, immediately and without a termination notice or any demand issued by the Company, a contractual penalty in the maximum amount equal to the PLN equivalent of EUR 25,000 for each failure and to the PLN equivalent of EUR 1,000 for each day in which such a failure occurs or continues.

The contingent liabilities arising from employment contracts with employees were PLN 5,642 thousand as at March 31, 2017 (as compared to PLN 5,821 thousand as at December 31, 2016).

Tax settlements and other fields of business subject to regulations (for example, customs or foreign currency matters) may be subject to inspections by administrative authorities entitled to impose high penalties and sanctions. The lack of reference to the well-established legal regulations in Poland results in the legislation in force being ambiguous and inconsistent. Frequent differences in opinions as to the legal interpretation of tax regulations, both within the state authorities themselves and between such authorities and business entities, create conflicts and uncertainty. Such events result in the tax risk in Poland being much higher than in countries with more advanced tax systems. Tax settlements may be subject to inspection during the period of five years starting from the end of the year in which the tax was paid. As a result of the inspections carried out, any current tax settlements of the Company may be increased

by additional tax liabilities. In the Company's opinion, the provisions established as at March 31, 2017 are sufficient to mitigate the recognised and measurable tax risk.

The Company recognises the right of perpetual usufruct of land acquired free of charge as operating lease (off-balance sheet item) in the amount of PLN 1,567 thousand.

Jarosław Tomaszewski
President of the Management Board

Paweł Nogalski
Vice-President of the Management Board

Marek Kacprzak
Vice-President of the
Management Board

Person responsible for preparing the report:

Sławomir Krysiński
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Warsaw, May 16, 2017